

20 May 2019

Sen. Dan Morrish, Chairman

NCOIL Special Committee on Natural Disaster Recovery

National Council of Insurance Legislators

via email

RE: Proposed Private Flood Amendments to NCOIL State Flood Disaster Mitigation and Relief Model Act

Dear Chairman Morrish:

First of all, I want to thank you and your committee for your attention and work on modernizing the NCOIL State Flood Disaster Mitigation and Relief Model. There is not a better time to be engaging in this important endeavor.

Many communities in the Midwest are under water this spring and of course we saw last year Houston, areas of the Southeast and Midwest flood events. Consumers find out after-the-fact their existing homeowner's coverage doesn't help them in these instances. Consumers should have access to affordable options that fully cover or provide assistance given these events.

The direct, private market is already working on solutions to these problems in states like Florida and have the appetite and capacity to expand given a supportive regulatory marketplace. International reinsurance markets are well positioned with capital capacity to support an expanded private market. Also, significant advances in private sector flood modeling has generated interest in new product development and private insurers have been writing commercial flood coverage for some time. The work you are doing will achieve that goal.

It is a shared goal with the existing National Flood Insurance Program. Their moonshot aims for doubling the penetration and coverage for consumers both with NFIP coverage and private options.

Combined with the July implementation of the Federal Banking rule, the table is set. After 6 years of work, this rule provides a roadmap for private insurers to enter the market and compete with NFIP. Modernizing the existing Flood model in a way giving flexibility to state legislatures and insurance departments to support the private market will help develop affordable options for consumers. In fact, a recent report released by actuarial firm Milliman found that: "90 percent of homes [in New Jersey and New York] could see cheaper premiums in

the private market.” This expansion will supplement NFIP and is critical to closing the coverage gap across the country.

In addition to your work, NAIC has prioritized private flood as a key goal for 2019. We patiently wait for their soon-to-be published work on a best practices for private flood white paper.

Again, I applaud your leadership on this key consumer issue and am looking forward to joining you on your June 3rd conference call and am available for any questions as you move forward throughout the rest of the year.

Ted Nickel

Owner Bodilac Strategies LLC, former Wisconsin Insurance Commissioner and NAIC President